

AUDIT AND GOVERNANCE COMMITTEE

Wednesday 4 December 2019

Present:-

Councillor Tony Wardle (Chair)
Councillors Atkinson, Foggin, Henson, D, Mrs Henson, Mitchell, M, Sheldon and Warwick

Also Present

Chief Finance Officer, Corporate Manager – Executive Support, Audit Manager (HK), Policy Officer and Democratic Services Officer

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APOLOGIES

Apologies were received from Councillors Hannaford and Pattison.

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MINUTES

The minutes of the meeting held on 18 September 2019 were taken as read, approved and signed by the Chair as correct.

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DECLARATION OF INTERESTS

No declarations of disclosable pecuniary interests were made.

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AUDIT FINDINGS REPORT (ISA 260)

The Chief Finance Officer reported that Grant Thornton, who had been contracted to carry out the audit of the City Council's Final Statement of Accounts and associated work had been unable to complete their work in time for consideration at this meeting. It was noted that the final Audit Findings report, Final Statement of Accounts 2018/19 and the Management Representation Letter would be presented for Members' consideration and approval at an additional meeting of the Audit and Governance Committee to be held in January. The reasons for the delay were due to an external resourcing issue and was outside the control of the City Council. The Chief Finance Officer had just had sight of a further draft of the Audit Findings report which ostensibly contained the same detail as the report received in September, and he was able to forward a copy of that report to Members if required. He added that the delay had impacted on the work programme of the City Council's finance team, who now needed to focus on preparations for the budget framework for next year.

The Chief Finance Officer also acknowledged Members' concerns and responded to the following Members' comments:

- unfortunately the Devon Audit Partnership were not qualified to deliver an external audit.
- the contract for the Council's external audit was managed by the Public Sector Audit Appointments (PSAA), with Grant Thornton being in effect sub-contracted to carry out the work. This was the first year of a five year

contract and it was noted that the City Council would take up the matter of the delay with the PSAA, and would offer the appropriate level of feedback to reflect the disappointment. The delay was mirrored in a number of local authorities, in part, due to a change to the timetable in a number of national audits which had effected firms such as Grant Thornton who had been unable to meet the newly imposed deadlines. He added that this had also impacted on the finalisation of Central Government's accounts and the NNDR3 and business rates return.

- the contract was between Grant Thornton and the PSAA and so Exeter City Council had no leverage to impose any additional charge, but we would nevertheless be taking up this concern with the PSAA as an additional charge. This situation had impacted on virtually every Council in Devon.
- the Redman Review, a review of local authority financial reporting and external audit was ongoing, and the City Council would ensure that they made the appropriate representations.

Members were concerned that the new Audit arrangements were not working effectively compared with the arrangements under the former Audit Commission. The Chief Finance Officer reminded Members that the accounts had previously been audited by private firms since 2008 and Grant Thornton had offered an excellent service. Members were unanimous in expressing that the current external audit arrangements needed some review. A Member also enquired about the likely impact the delay would have on next year's audit and it was agreed that every effort would be made to ensure that a plan was in place, along with a more coordinated approach by the PSAA.

The Audit and Governance Committee noted the position.

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FINAL STATEMENT OF ACCOUNTS 2018/19

The Chief Finance Officer referred to the explanation given in Minute 32 that the report would be presented to an additional meeting to be held in January.

The Audit and Governance Committee noted the position.

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MANAGEMENT REPRESENTATION LETTER

The Chief Finance Officer referred to the explanation given in Minute 32 that the report would be presented to an additional meeting to be held in January.

The Audit and Governance Committee noted the position.

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INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (HK) presented the report which detailed the internal audit work carried out during the period 1 July to 30 September 2019 and the overall progress on the Audit Plan. She referred to the previous reports on the agenda and stated that the delay in the approval of the audit would ultimately have an impact on the Audit Plan. The Audit Managers would continue to monitor and work on the Plan and a report would be made to the Audit and Governance Committee meeting in March 2020.

Members were referred to Appendix A, which detailed the progress of the 2019/20 Audit Plan to date. The Audit Manager commented on the progress of outstanding actions completed and noted that there was only one area that had been identified

as high risk. Following further advice from the City Council's legal and finance teams, the required returns for the Lord Mayoralty's civic functions were now submitted to the Charity Commission and the matter was now resolved. It was also reported that there had been no instances where remedial action was not agreed by management this quarter. There were no significant amendments that were required to be reported to this Committee.

The Audit Manager also referred Members to the Action Plan, presented in Appendix B, which highlighted the proposed measures to monitor and improve governance arrangements at the City Council. Although two outstanding issues were identified these were not deemed significant in nature.

In response to Members' questions, the Audit Manager explained that following an audit, reasons were always given for any action to be taken and a follow up was always coordinated as well as an agreement of target dates with management.

The Audit Manager invited Members to suggest further areas for inclusion in the forthcoming Action Plan. Any requests would be consulted upon with the Strategic Management Board in January.

Members made the following suggestions:-

- following a complaint and petition regarding a ward boundary issue, an audit to explore the accuracy of the digitised boundary register as well as consideration of the procedure for dealing with boundary disputes.
- monitoring of the local authority carbon footprint common carbon metric. The Chief Finance Officer stated that it may be appropriate to set out when the road map was in place. Exeter University and neighbouring district authorities would then have an understanding of what was needed to deliver and then put the process in place.
- an audit of the kitchen and bathroom replacement programme, to include how tenants were appraised of the programme. The Audit Manager updated Members and stated that the newly formed Procurement Team were in the process of retendering the contract, and so the Audit Action Plan would also look at the way that contracts were managed.

A Member suggested that such matters could also be considered by the Customer Focus Scrutiny Committee. The Chief Finance Officer stated that he would pass on any areas of interest for further report to colleagues. Certainly, the request for an audit on the replacement kitchen and bathroom programme would ensure there was a test of the procurement to ensure that adequate controls were in place.

The Audit and Governance Committee noted the Internal Audit report for the second quarter of 2019.

The Corporate Manager (Executive Support) presented the report, which explained the role of the Local Government Ombudsman (LGO) in investigating and resolving complaints about councils and included the LGO's 2018/19 annual review of complaints about Exeter City Council. There was a legal duty to communicate the LGO's annual review and details of complaints to Members.

The Corporate Manager (Executive Support) discussed the complaints received by Exeter City Council and the decisions made by the LGO for the year ending 31

March 2019, highlighting that, of ten complaints investigated, the Ombudsman had only upheld one complaint. There were no other significant issues to report to the Audit and Governance Committee. He confirmed in response to a Member's questions that Members are not currently involved in the Council's complaints process. He responded to a Member's comment on the reporting process for those investigations that resulted in LGO recommendations and/or findings of maladministration and confirmed that all complaints submitted to the LGO were reported to Members irrespective of their outcome.

The Audit and Governance Committee noted the report for the Local Government Ombudsman's Annual Review of Complaints 2018/19.

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REPORT OF THE CORPORATE GOVERNANCE RISK REGISTER UPDATE

The Policy Officer presented the report, and reminded Members about the full review of the Council's Corporate Risk Register, which was now a Part 1 item on the agenda to ensure openness and transparency. The Register now focussed on strategic rather than those operational risks which could be managed at a service level. The updated Corporate Risk Register sets out the Council's risk management progress, which the Audit and Governance Committee were responsible for monitoring and reviewing.

The Chief Finance Officer referred Members to the summary paper, to note the strategic risks identified from the progress work undertaken by the Strategic Management Board and the Council's insurer – Zurich.

In response to questions from Members, the Chief Finance Officer responded that:-

- the Bus Station project was on plan and on budget, and whilst there was an awareness that the whole construction industry was facing a challenge, any significant implications or issues would be reported to Members.
- the Sport England Pilot was proceeding as planned, and a watching brief was being maintained.
- in terms of the risk identified in respect of a lack of leadership, the Strategic Management Board properly acknowledged the multitude of challenges that face Councils and of their support for the understanding of Members as a whole. As a District Council, we are ambitious and instigated many strategic projects in the city such as delivering the Sport England pilot and Liveable Exeter. There was an understanding with Members of the challenges and capacity to deliver.

A Member commented on the removal of the risks and enquired about the definition of risk management and what size of operational risk would trigger a response to the Chief Executive, Internal Audit or the Audit and Governance Committee. She commented on the apparent downgrading of the Register and did not see any opportunity for future review or expansion. The Policy Officer responded that every service had an Operational Risk Register and a review of this was made on a quarterly basis and included the involvement of the Senior Management Team and service leads who also worked to identify the human resource requirement. In addition a Health and Safety Committee also met on a quarterly basis and discussed the Risk Register and would be able to identify any significant issue. The Chief Finance Officer confirmed that there was a robust system in place, with the correct personnel which included a health and safety officer and union representation involved. Health and safety was part of a fundamental approach and the appropriate responsibility was in place to help protect the Council.

The Audit and Governance Committee reviewed and noted the updated Corporate Risk Register.

(The meeting commenced at 5.30 pm and closed at 6.30 pm)

Chair

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